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cc

bcc

Subject Testimony Docket 2008-0115 - Pending Rate Hike Burdens
Public

August 13, 2008

The Honorable Chairman and Members of the Hawaii Public Utilities Commission
465 South King Street

Re: Docket 2008-0115 - ORDER INSTRUCTING A PROCEEDING TO PROVIDE TEMPORARY
RATE RELIEF TO MOLOKAI PUBLIC UTILITIES INC., WAI'OLA O MOLOKAI INC., AND MOSCO
INC.

Dear Chair Carliboso and members.

The Public Utilities Commission ("commission") seems poised tomorrow on August 14 to take an action that favors the interests of a large foreign corporation by placing an unreasonable financial burden on Molokai water ratepayers, many of whom consist of financially-strapped lower income families, who are already burdened with higher electric rates, gas prices and other inflated expenses.

But you as commissioners have a choice, and you can choose instead to put the people's interests ahead of those of a foreign corporation that has no aloha for Molokai or our State, and is playing everyone involved in this Docket for a fool.

The commission can step up and reject its proposed rate increase, and/or the highly inflated rate hike demanded by Molokai Properties Limited ("MPL") and stick to its order in which it says it expects MPL and its utilities to continue providing services until a third party is found to operate the utilities.

If the MPL chooses to ignore the PUC order, then the PUC should levy the \$25,000 a day fine allowed under the law (\$9,000,000) a year and look to MPL's 60,000 acres of land holdings (appraised at \$200 million) as security for the payment of the fines.

Although Chair Carliboso told those attending the commission's July 15 public hearing that the PUC could levy the fines, he said he felt the utilities would not have the money to pay the fines...so what's the use?

But MPL has the assets that could be attached to pay the fines. MPL's has little hope of hiding its assets behind the "corporate veil".

The commissioners should be able to recognize this even based on the limited due diligence that has been done, despite the fact that the commission, according to its own order, "has the power (by law) to examine into the condition of each utility including the amount and disposition of its income and all financial transactions, its business relationship with other persons, companies and corporations and all matters of every nature affecting the relations and transactions between it and the public or persons or corporations"

MPL has operated in a positive cash flow position for the last three years (including the losses from some of its utility companies) by selling off

minimal amounts of non-strategic lands. MPL's Chief Executive Officer Mr. Nicholas has confirmed this in writing, and it's been confirmed in the annual reports of MPL's parent company GuocoLeisure Limited.

Mr. Nicholas is also a Vice President of GuocoLeisure.

So what is keeping MPL from selling "minimal amounts" of land in order to keep the utilities operating for the next 18 to 24 months while a resolution of the utility is determined in constructive and orderly process?

Because during these slow economic times (bad for real state sales), MPL has made a business decision to shutdown all its operations (and corresponding expenses) and ride things out until better times roll around so the company is able to realize higher sale value for its lands.

And what's unfortunate for the public is that the commission, the Consumer Advocate and the Governor seem content to buy into the MPL/GuocoLeisure self-serving, irresponsible plan at the expense of Molokai residents.

As noted in the attached news article, the Governor had the following to say about proactive, corporate responsibility in these slow economic times when she spoke at the annual convention of the Hawaii Economic Association last April:

"The business community has an especially important role to play. I am a firm believer that during an economic slowdown, businesses (like MPL) should not hunker down, be stagnant and adopt a defensive mentality. That only exacerbates the situation."

Do you as PUC Commissioners buy into the Governor's logic?

Does the Governor sincerely believe in what she preaches?

If so, the commission and the Governor should hold MPL responsible for funding the costs of running the utility companies during this interim period (by selling a few of lots) while everyone seeks to find a third party willing to assume the operation of the utilities...and not place that financial burden funding the utilities during this interim period on the Molokai ratepayers, many who are lower income families.

Mr. Nicholas has said he will cooperate with all parties in trying to resolve the utility situation...but only his terms.

He is demanding the rate increase he wants (more than 100% higher than the PUC proposes) or threatens to pick up his marbles and go home.

Furthermore, despite the commission writing Mr. Nicholas and advising him that until "a third party takes over the operation of the utilities...the commission expects the utilities and MPL to take all necessary and prudent actions to continue operations", Mr. Nicholas subsequently wrote the Mayor of Maui County and advised her that MPL has "no interest in having an operator taking over running the systems".

Doesn't "running" and "operating" mean the same thing?

I have attached to this email is a copy of the 14-page testimony I summarized at the July 15, 2008 PUC public hearing on the subject docket held in Maunaloa Town on the island of Molokai.

The testimony has a one-page Exhibit A showing that MPL and its utility companies are one in the same, and an 11-page Exhibit B, which is a collection

of conflicting statements and positions from Mr. Nicholas over the past 12 months.

At the July 15 meeting I provided a hard copy of my testimony to each Commissioner.

Also attached is a copy of a recent article taking off the Molokai Dispatch newspaper website regarding the Maui County Council's approval of the hiring of Margery Bronster to represent the County in all legal matters involving Molokai Properties Limited (MPL), doing business as Molokai Ranch, its three utility companies regulated by the PUC, and well as possible legal claims against the State of Hawaii, and other parties, arising from MPL and its utilities companies threatening the cessation of water and wastewater service at the end of August 2008.

In the subject order the Public Utilities Commission (the "commission") the commission states that it is "concerned about the impact of the temporary rate increase will have on the ratepayers"

However, it appears that the commission is poised to take an action, which shows little regards for the ratepayers and instead is intended to further require Molokai ratepayers to further subsidize an irresponsible strategic business plan fostered by MPL and its utility companies aimed at "extracting and maximizing" the investment value of GuocoLeisure Limited's shareholders.

GuocoLeisure is the billion dollar foreign, worldwide investment company that owns MPL as a wholly owned subsidiary. The company's Executive Chairman is Quek Leng Chan, the 314th richest man in the world with a personal net worth of \$2.9 billion dollars (\$2,900,000,000)

According to the subject order, the commission proposed a temporary rate hike that substantially increase the annual incomes of MPL's two water utility companies by \$461,804, a substantial 53.6% increase over the \$862,271 income the two utilities posted in 2007.

But MPL CEO Peter Nicholas, a man that earns over \$500,000 a year in his dual management role with MPL and as a Vice President of GuocoLeisure, rejected the PUC's proposal, and demanded instead that the commission offer had to be increased by 103.8% to \$894,801 or he was going to pull the plug on the utility operations despite the commission advising Mr. Nicholas in writing that an order from the PUC that until "a third party takes over the operation of the utilities...the commission expects the utilities and MPL to take all necessary and prudent actions to continue operations."

At the July 15 public hearing, Commission Chair Carliboso laid out a simple formula by which ratepayers on Molokai, many of which are lower income families, could determine what their new water bill would be.

Under Chair Carliboso's formula, a family in Maunaloa Town or Kualapuu Town currently paying \$50 a month water bill would see its bill increase to \$110 a month under the commission's proposed rate increase, and up to a whopping \$139 a month under the rate increase being demanded by MPL's CEO, who is also the sole officer and director of each of the three utilities subject to Docket 2008-0115.

From \$50 a month to \$139 a month, that's 178% increase. To put this increase into perspective, consider what the Governor's lamented over in her speech to the Hawaii Economic Association earlier this year about the hardship being faced by Oahu ratepayers who had to deal with the financial hardships because their utility bills "rose 84 percent from 2002 to 2007."

An 84% increase over five years is much easier to deal with than 178% increase immediately.

And it looks as though the PUC is leaning towards accepting Mr. Nicholas's demand based on Commissioner Kondo's conclusion at the July 15 public hearing that the rate increase demanded by Mr. Nicholas is "very similar" to the commission's proposed rates, even though Mr. Nicholas is demanding Molokai ratepayers fork out 103% more of an increase than the commission is proposing.

In an unprecedented action, the Commission has proposed a rate increase for the benefit of two water companies owned by Molokai Properties Limited based on less than reliable information provided by Mr. Nicholas and MPL.

Some of the utility companies are wholly owned subsidiaries of Molokai Properties Limited (MPL).

As mentioned, MPL's Chief Executive Officer is Peter Nicholas.

MPL is a wholly owned subsidiary of GuocoLeisure Limited (formerly BIL Investment), a billion dollar foreign investment company headquartered in Singapore.

Mr. (Tri San) Quek Leng Chan is the Executive Chairman of GuocoLeisure. Mr. Chan is the 314th richest man in the world and has a personal net worth of \$2.9 billion dollars (\$2,900,000,000).

Mr. Nicholas is listed in GuocoLeisure 2007 annual report (see GuocoLeisure website for full report) and as member of the company's five member senior management team.

Besides being CEO of MPL, he is also a Vice President of GuocoLeisure. He earns in excess of \$500,000 for his dual management roles.

It's another story about the rich getting richer and the working folks being hammered.

Hopefully, the Governor, the Consumer Advocate and the PUC will do what's right and make MPL responsible for its actions and not allow the financial consequences of MPL's mismanagement, and its irresponsible business strategy, to be borne by the lower income, working families on Molokai.

Respectfully submitted

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Copies:

Senator Daniel Inouye
Senator Daniel Akaka
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Mahina Martin
Governor Linda Lingle
Abbey Mayer, Director of Office of Planning
Consumer Advocate Catherine Awakuni
Queck Leng Chan
Peter Nicholas
Molokai Dispatch
Molokai Times
Maui News
Honolulu Advertiser
Honolulu Star Bulletin
Pacific Business News



dv puc testimony.doc Exhibit A Officers.xls Exhibit B Nicholas.doc Dispatch Bronster Hired.doc

Testimony of DeGray Vanderbilt
Before the Hawaii Public Utilities Commission
July 15, 2008 at Maunaloa School, Maunaloa, Molokai at July 8, 2008
PUC Docket umber: 2008-0115

Welcome to Molokai Commissioners.

It is really gratifying to see the entire Commission taking the time to come to Molokai and listen to the concerns of our island community. In other PUC jurisdictions, many times a hearing officer will be sent to represent the Commission at public hearings, especially those that are held in hard to get to places.

So thank you for being here with us today.

My name is DeGray Vanderbilt. I am a 30-year resident of Molokai.

I recently stepped down as Chairman of the Molokai Planning Commission. I am a member of the Molokai Water Working Group that is advisory to the State Commission on Water Resource Management. I am a member of the Molokai Chamber of Commerce, and a Director for the Statewide Hawaii Rural Development Council.

I also spent three years as a member of the Molokai Enterprise Community's Land Use Committee, which worked in concert with Molokai Properties Limited (aka Molokai Ranch) to develop the Master Land Use Plan for Molokai Ranch.

I am testifying before you today as a concerned individual.

Today, I would like to try and shed some light on the intentions that are really behind the Ranch's threatened shutdown of its utility services, as well as, try to explain what stimulated the Ranch's "business decision" to shutdown its other operationsan arbitrary decision that was contrary to assurances Mr. Nicholas and Ranch management

had given to Ranch employees a few months earlier that the Ranch would not shut down unless certain events took place...and those events never took place.

We've been told that Molokai Ranch owns six utility companies which provide essential water delivery and wastewater disposal service to residents at the Kaluakoi resort, Maunaloa Town, Kualapuu Town and Kipu.

The two utility companies providing water are losing about \$450,000 a year according to Ranch Chief Executive Officer Peter Nicholas.

Mr. Nicholas says the sewage treatment plant serving residents at the Kaluakoi resort is profitable according to figures he provided to the state Public Utilities Commission (PUC).

Mr. Nicholas has failed to provide detailed financial operations on the remaining three utility companies, two that provide wastewater service for Maunaloa and Kualapuu and one which is the Ranch's Mountain Water System.

Does he want to hang on to the three unregulated utilities, or what?

Mr. Nicholas is currently threatening government officials and residents of our community that if someone doesn't take over the operation of his company's utility operations by the end of August (less than 60 days from now) he is going to pick up his marbles and go home and leave government.... and our community to clean up any mess caused by the Ranch irresponsible, self-serving bailout scheme.

Mr. Nicholas says his company has no more money to fund Molokai operations, yet I understand that the Ranch still maintains offices in the high rent district of downtown Honolulu.

So what do the PUC Commissioners do? They do something unprecedented. Generally, when a company like Molokai Ranch needs a utility rate increase, it is the company that applies for the increase to the PUC....not the PUC applying for a rate increase on behalf the company.

In the Molokai Ranch case, the PUC Commissioners initiated a temporary rate increase which. If approved, will result in Maunaloa and other Molokai residents coughing up an additional \$445,000 to the Ranch for water, assuming it will take at least a year to resolve the utility fiasco in a fair and reasonable manner.

So maybe you'd think Mr. Nicholas would say, "thank you very much Mr. PUC Commissioners...now let's work together and resolve this important issue."

Not Mr. Nicholas.

Mr. Nicholas instead told the PUC Commissioners that his company would not deter him from closing down at the end of August. He then fired back a counter offer saying that he wanted Maunaloa, Kualapuu and other Molokai residents to pay the Ranch at least double what the Commissioners proposed before he would consider keeping the utility companies in operation.

You got to give the guy credit, he keeps selling his "tough guy" image even though few in the public are taking his ranting seriously.

Molokai Ranch has access to all the money it needs to operate the utilities. The company can chose to sell off some of its 60,000 acres, which Mr. Nicholas claimed could be worth as much as \$800,000 million dollars, or he could talk to the foreign corporation that owns the Ranch (the sale of just one of the many Papohaku Ranchlands 15-plus acre lots the Ranch owns at the Kaluakoi resort will cover the utility companies' negative cash flows...each lot worth at least \$400,000)

Molokai Ranch is 100% wholly-owned subsidiary of a billion dollar foreign company based in Singapore called GuocoLeisure Limited (formerly BIL International). Certainly the Ranch's parent company can chip in a little something to help out.

Yet, Mr. Nicholas says there is no money.

In its most recent 2007 company annual report, GuocoLeisure describes itself as (quote) "an international investment company headquartered in Singapore. *The Company's primary role is as an active investor with strategic shareholdings and active investment management aimed at extracting and maximizing shareholder value.*"

Remember these words, *"The Company's primary role is....aimed at extracting and maximizing shareholder value."*

This is what this whole Molokai Ranch shutdown and utility company bail out plan is all about *"extracting and maximizing"* the value of the company's Molokai investment for the sole benefit of GuocoLeisure shareholders without regard, and I repeat, without regard to consequences suffered by the Molokai community as GuocoLeisure attempts to implement its new, self-serving business plan.

In addition to serving as Molokai Ranch's top gun, Mr. Nicholas is also listed in GuocoLeisure's latest annual report as one of GuocoLeisure's five "senior management" people.

Mr. Nicholas is allegedly making over \$500,000 in his dual role as a Vice President for GuocoLeisure and Chief Executive Officer of Molokai Ranch.

GuocoLeisure's head honcho is a man by the name of Mr. Quek Leng Chan. He is Executive Chairman of GuocoLeisure and according to a recent commentary by Howard Dicus, one of Hawaii's most respected business reporters, Howard Dicus, Mr. Chan is worth an estimated \$2.9 billion dollars.

He is allegedly the 314th richest man in the world and the sixth richest in Malaysia.

\$2.9 billion dollars, that's a lot of zeros, that's a lot of "dollars". In fact, Mr. Chan is not only a millionaire, he s a millionaire 2,900 times over.

We're talking serous, big time money here, and yet the County of Maui, the State, the PUC and residents in our community are expected to believe that Mr. Nicholas, Mr. Chan and their profitable, billion dollar company, are not able to come up with enough money to run a few utility companies on Molokai?

So why am I bringing up all those big dollars Mr. Nicholas and Mr. Chan are taking down and the billion dollar net worth of GuocoLeisure?

For one reason.

There seems to be an obvious, simple solution to this whole utility shutdown hoax being played on our community by Mr. Nicholas and Mr. Chan.

Let's assume Mr. Nicholas is earning \$500,000 and the Ranch's three regulated utilities are experiencing a net negative cash flow from operations of approximately \$400,000 each year. (one of the three companies MOSCO is actually making money).

The solution is to write one letter to Mr. Chan and suggest that he fire Mr. Nicholas on the spot, for purely business reasons, the same reasons Mr. Nicholas gave for shutting down the Ranch's operations and giving all the company employees their walking papers.

Next take the \$500,000 freed up by Mr. Nicholas's departure and apply those funds to cover the \$400,000 annual cash flow deficits incurred by the Ranch's utility.

Case closed and everyone can go home and relaxes and life goes on and Mr. Chan has an extra \$100,000 to put in his already extremely deep pockets.

If that doesn't work, then call Mr. Nicholas on his threat to pull out by the end of August if someone doesn't take over its utility companies.

The PUC has ordered Molokai Ranch not to pull the plug on its utility services at the end of August. If the Ranch defies the PUC's order, the law provides for the PUC to bring criminal charges and levy fines up to \$25,000 a day....that's \$9,000,000 a year if the Mr. Nicholas and Mr. Chan continue to play hardball with folks in Hawaii and refuse to get their act together.

No one will have their water shutoff because the state and the County can come in and immediately seize the Ranch's utility assets for emergency reasons and continue essential services for the public, especially if the Ranch is in contempt of an order from the PUC.

Meanwhile, the fines will be mounting up (\$9,000,000 a year), and the PUC can place a lien on the Ranch's land and other assets in order to collect what is owed. Whether the MPI officials receive any jail time for their contempt of a PUC order is unknown at this time.

It's likely that Mr. Chan would prefer to avoid this scenario, which would result in some unwanted, embarrassing media publicity. What would he tell his shareholders in GuocoLeisure annual report, which is due to be published in a couple of months.

Mr. Chan issued a comforting press release recently (see company website) to GuocoLeisure shareholders downplaying the Ranch's total shutdown by stating the following:

"The Company wishes to advise that Molokai Ranch is to cease its tourism and other operations on Molokai Island, Hawaii at the end of March.

As a result of the decision, Molokai Ranch will be shutting down and land-banking the company's assets on its 60,000 plus acre property.

Presently, the aforementioned cessation of operations of MPL is not expected to have any significant financial impact on GL Group for the financial year ending 30th June 2008. *END OF PRESS RELEASE*

You heard it right the Molokai Ranch shutdown "is not expected to have any significant financial impact on GL Group for the financial year ending 30th June 2008."

Thank you very much Mr. Chan.....glad to hear your company shareholders won't be impacted by the Ranch's shutdown.

So why did Mr. Nicholas abruptly announce that the Ranch was shutting down after assuring employees a few months earlier that there would be no drastic layoffs unless there were "further delays" in the Ranch implementing its Master Plan, including the development of La'au Point. (there were no further delays).

Was the Ranch in terrible financial condition?

Not if you read the rosy picture Mr. Chan was painting of his company's Molokai investment to GuocoLeisure shareholders.

In last year's GuocoLeisure's annual report shareholders were told that the company's Molokai investment (and I quote) "*continued to remain cash positive through the sale of non-strategic*" subdivided land. The company also sold a large parcel of agriculture land to Monsanto."

So where did the money from the Monsanto big sale go? What was the sale price?

According to Pacific Business News, Monsanto recently paid over \$31 million dollars for 2,300 acres of agricultural land on Oahu. Monsanto's local business manager, Terry Miller, said 1,600 acres are suitable for farming and the remaining 700 acres are slated to remain as open space.

\$31,000,000 for 1,650 acres of useable farm land is \$19,375 per acre Monsanto paid for the Oahu farmland.

According to the Star Bulletin article reporting the Monsanto sale, MPL provided 1,200 acres of useable farm land to the corn research company. At \$19,375 that would mean MPL pocketed \$23,250,000.

This would cover MPL's \$3.5 million operation losses for almost seven (7) years.

Mr. Nicholas authored a piece in the local newspapers in which he referenced the following to give people what land is worth to MPL and the GuocoLeisure shareholders:

"People should also look to the recent sale of land at the East End to the Maui Coastal Land Trust at \$14,000 an acre. Multiply that by 60,000 plus acres and its \$840 million! Mr. Nicolas was referring to 168 acres of agricultural land that recently was sold by Kainalu Ranch.

If MPL received \$14,000 acres for the 1,200 acres of useable farm land it sold to Monsanto that would resulted in a \$ 16,800,000 sale. And that amount would have covered MPL's annual \$3.5 million dollar operation losses for almost another five years.

So what did Nicholas get from Monsanto and where did all the money go? Why did the Ranch have to shut down so abruptly? Mr. Nicholas said the decision to shut down was purely a "business decision".

Was sacrificing the company employees worth the anticipated windfalls MPL hopes to gain from its newly employed business strategy?

SO WHERE DID ALL THAT MONEY GO. IF APPLIED TO MPL OPERATIONS, THERE WOULD HAVE BEEN NO REASON TO SHUTDOWN. THE COMPANY COULD HAVE REMAINED CASH FLOW POSITIVE FOR ANOTHER 3 TO 6

YEARS ON THE MONSANTO SALE ALONE.?

Possibly the PUC Commissioners could ask MPL's representative to explain the details of the MPL land deal with Monsanto.

If there is a Monsanto representative here today possible that person could explain the details of the MPL/Monsanto land deal. It seems that the press is able to publish information about Monsanto's land deals elsewhere in the state, why is everything such a secret on Molokai.

Back to the GuocoLeisure annual reports.

As in 2007, GuocoLeisure's 2005 and 2006 annual reports also touted the company's Molokai investment as "continuing to remain cash positive".

In the 2006, shareholders were treated to more positive news about their company's Molokai investment with the following from the company's annual report: *"Both occupancy and revenue per available room for the company's two existing tourist establishments, the luxury 22-room Molokai Lodge and the 40-tent platform Beach Village improved significantly over the previous year."*

I'm not making this stuff up. These quotes are right from the GuocoLeisure annual financial reports on the company's website.

So with the big land sales and increase tourism activity, why isn't there any money to continue operating the utilities..... and in light of all the glowing information shared with GuocoLeisure shareholders about the company's Molokai investment...then why did the Ranch shut down operations in the first place?

Peter Nicholas wrote a commentary in the paper in which he stated: "...since January 2006, MPL has sold minimal amounts of property in order to fund its losses and stay cash

positive”

The obvious question is why can't MPL continue that practice, which is the same strategy employed by other landowner/real estate/development companies such as Maui Land and Pine, Dole Company and Alexander and Baldwin to name a few.

GuocoLeisure Vice President Peter Nicholas said it was purely “a business decision” to shutdown. As I stated earlier in my testimony, GuocoLeisure claims to base its “business decisions” on how best to extract and maximize value for GuocoLeisure shareholders as noted in its most recent annual report..

If you read the GuocoLeisure 2007 annual report closely, it includes a statement made by Mr. Chan, the company's Executive Director, which may be a tip off on what the company had up its sleeve for Molokai.

Mr. Chan wrote, “During 2007, GuocoLeisure continued to maximize value for its Molokai Ranch investment. We will continue to focus on operational deficiencies and improve cash flow for our investment.”

Mr. Chan and Mr. Nicholas were not born yesterday. GuocoLeisure's new business plan for Molokai was an easy one for these two corporate guru's to dream up.

Both Mr. Chan, and his corporate sidekick Mr. Nicholas, have been keenly aware of the pending economic slowdown forecast for Hawaii.

What better way to fulfill Mr. Chan's goals to “maximize value” of the company's Molokai Ranch investment, deal efficiently with “operational deficiencies” and “improve cash flow” than to shutdown Ranch operations completely and wait along the sideline for better economic times to come around.

By shutting down, the company automatically “maximized value” by eliminating all

expenses and land banking its lands while awaiting better economic times..

You don't have to be a rocket scientist to understand the best way to resolve the Ranch's "operational deficiencies" would be to just shutdown those operations.

What better way to "improve cash flow" than to shutdown and get rid of the Ranch's largest expense.....payroll.

And that's the thinking that appears to have gone into Mr. Chan and Mr. Nicholas "pure business decision" to abruptly shut down Ranch operations.

And as concluded the company press release sent to GuocoLeisure shareholders, they would feel no financial impact from the Ranch shutdown.

The Ranch would land bank its 60,000 acres of landholdings and have very little carrying costs while it waited for better economic times to reap higher land sale values.

And by some chance the Ranch is able to complete its scheme to have the County to be responsible for delivering water to Ranch properties, the value of those properties will automatically increase in value substantially....why?.... because the "uncertainty" about water availability, which was an issue with the Ranch in charge, would be gone with the County running the show.

As noted in the PUC's recent Decision and Order, Molokai Ranch would prefer to have the County take over its utility operations.

As Mr. Nicholas said, the Ranch shutdown was decided on purely for business reasons.

The PUC, Consumer Advocate and County should look at resolving the mess created by the Ranch by applying also "business reasons".

Let Mr. Nicholas and his company walk away August 31 and then bring the hammer down on the Ranch and its parent company, GuocoLeisure Limited.

Mr. Chan is a well known international gambler and has got to know his threat to walk at the end of August is a bluff that could cost him to lose a lot of chips that his company would not welcome losing at this time.

Mr. Chan would also inherit a lot of unfavorable publicity for his large international company putting the screws to our small island community.

If the County, or anyone else is willing to take over Molokai Ranch's responsibilities to deliver water and wastewater service, it is going to at least a year, or more, before anyone is able to complete the due diligence necessary to understand what they are getting themselves into.

Ranch management allegedly continues to claim its utility systems are "up to County standards". Anyone living on the west end know this is about as far from the truth as you can get.

At the Kaluakoi resort alone, one half of the resorts dual water delivery system is totally inoperable. Possible the PUC Commissioner could inquire of MPL's representative at the July 1 hearing as to what the company plans to do about this major deficiency.

If the State or County should invest to get the Ranch off the hook, demands should be made for the Ranch to stop holding our community hostage.

The Ranch should be required to sell of lands such as the Kaluakoi hotel and/or the "non-strategic" lands needed by Firstwind for their proposed 350 megawatt wind farm that would generate \$4,000,000 to \$5,000,000 a year in lease rents Firstwind would pay back to the community to fund a variety of community needs.

Of course Mr. Nicholas sees the First Wind proposal differently, a proposal that he incorrectly characterized in a news article he wrote as one that “would provide no economic benefit to Molokai”

Folks like Mr. Chan and Mr. Nicholas talk tough but they don't hold the hammer anymore....they may think they do....but they don't.

Its time for GuocoLeisure, Mr. Chan and Mr. Nicholas to cooperate with government and our community to come up with a “win-win” situation that hopefully will result in the community purchasing the entire ranch property.

If Mr. Chan and Mr. Nicholas want to be made out to be the heroes for reconsidering their ill-conceived business plan and extending their cooperation....Ok fine.... let them be the heroes.

Hopefully a win-win situation can be negotiated between GuocoLeisure and our community. If it is, GuocoLeisure will be able finally unload its Molokai “headache”and Molokai can move on toward becoming a truly sustainable island community, one which will set standards for the rest of the State and elsewhere in these troubled times throughout the world as a result of chaotic economic, environmental and population pressures.

P.S. Where is the Governor? She has been working overtime to purchase lands at Turtle Bay, which she described in her 2008 state of the state speech as the “real Hawaii”. Yet she, or her Office of Planning Director Abbey Mayer, has not been willing to lift a finger to assist the Molokai community in its viable effort to purchase the entire Molokai Ranch property. If Turtle Bay is the “real Hawaii”, how would the governor characterize Molokai?

Is the Governor willing to declare an emergency situation if the Ranch defies the PUC order and walks out on its responsibilities August 31 so that the Ranch's water systems

and/or other assets can be seized in order to continue providing essential services for the public?

Maybe the Governor and/or Mr. Mayer will be in attendance at the July 15 PUC public hearing to shed some light on this alternative.

END

ATTACHED EXHIBITS:

EXHIBIT A: List of officers and directors of Molokai Properties and its utility companies.

EXHIBIT B Summary of statements and actions attributed to MPL CEO President Peter Nicholas that are contradicting and seem in conflict with MPL's threatened shutdown of its utility companies.

EXHIBIT A - Testimony of DeGray Vanderbilt, Molokai resident at July 15, 2008 hearing before the Public Utilities Commission
Held at Maunaloa School, Molokai - DOCKET 2008-0115 - Information from State Business Registration Office

<u>MASTER NAME/ADDRESS</u>	<u>AGENT NAME/ADDRESS</u>	<u>INCORPORATED</u>	<u>OFFICERS AND DIRECTORS</u>	<u>DATE</u>
MOLOKAI PROPERTIES LIMITED 745 Fort Street Mall, Suite 600 Honolulu, Hawaii 96813	MRL MANAGEMENT LIMITED 745 Fort Street Mall, Suite 600 Honolulu, Hawaii 96813	Hawaii, USA	John Sabas, Vice President Daniel Orodnenker, Secretary Dennis Ikeda, Treasurer Peter Nicholas, Director * Roy Sugiyama, Vice Pres/Director Linda Siew Kim Hoon, Director **	5-Nov-07 5-Nov-07 5-Nov-07 5-Nov-07 5-Nov-07 5-Nov-07
MRL MANAGEMENT LIMITED 745 Fort Street Mall, Suite 600 Honolulu, Hawaii 96813	DANIEL ORODENKER 745 Fort Street Mall, Suite 600 Honolulu, Hawaii 96813	Hawaii, USA	Johan Sabas, Vice President Daniel Orodnenker, Secretary Dennis Ikeda, Treasurer Peter Nicholas, Director Roy Sugiyama, Vice Pres/Director	5-Nov-07 5-Nov-07 5-Nov-07 5-Nov-07 5-Nov-07
MOLOKAI PUBLIC UTILITIES 745 Fort Street Mall, Suite 600 Honolulu, Hawaii 96813	MRL MANAGEMENT LIMITED 745 Fort Street Mall, Suite 600 Honolulu, Hawaii 96813	Hawaii, USA	Peter Nicholas, President/Director Roy Sugiyama, Vice Pres/Director Daniel Orodnenker, Secretary Dennis Ikeda, Treasurer	1-Oct-06 5-Nov-07 5-Nov-07 5-Nov-07
WAI'OLA O MOLOKAI 745 Fort Street Mall, Suite 600 Honolulu, Hawaii 96813	MRL MANAGEMENT LIMITED 745 Fort Street Mall, Suite 600 Honolulu, Hawaii 96813	Hawaii, USA	Peter Nicholas, President/Director Roy Sugiyama, Vice Pres/Director Daniel Orodnenker, Secretary Dennis Ikeda, Treasurer Roy Sugiyama, Director	1-Jul-03 1-Jul-07 1-Jul-07 1-Jul-07 1-Jul-07
MOSCO, INC. 745 Fort Street Mall, Suite 600 Honolulu, Hawaii 96813	MRL MANAGEMENT LIMITED 745 Fort Street Mall, Suite 600 Honolulu, Hawaii 96813	Hawaii, USA	Peter Nicholas, President/Director Roy Sugiyama, Manager/Director Daniel Orodnenker, Secretary Dennis Ikeda, Treasurer	1-Jul-07 1-Jul-07 1-Jul-07 1-Jul-07

* Peter Nicholas is also President and Chief Executive Officer of Molokai Properties Limited, doing business as Molokai Ranch, as well as, a Vice President of GuocoLeisure Limited. Molokai Properties is a wholly owned subsidiary of GuocoLeisure Ltd.

** Linda Hoon is also Secretary for GuocoLeisure Limited, a foreign based investment company headquartered in Malaysia

All of the above companies are engaged in inter-related business activities.

**July 15, 2008: Public Hearing Before The Public Utilities Commission,
Maunaloa, Molokai, Hawaii**

EXHIBIT B to testimony of Molokai resident, DeGray Vanderbilt

Statements released, or approved for release, by Peter Nicholas
President and Chief Executive Officer of Molokai Properties
Limited (aka Molokai Ranch) during the last twelve months.

Mr. Nicholas is also Vice President of GuocoLeisure Limited and
one of the company's top five members of the company's senior
management team. He is reportedly earning over \$500,000 a year
for his dual management role.



Peter Nicholas

GuocoLeisure Limited is a billion dollar, international investment
company headquartered in Singapore, which owns 100% of
Molokai Properties Limited.

Mr. Nicholas led everyone to believe that the implementation of
the company's Master Plan, including its La'au Point development
project, was important to his company's survival and the economic
security of his employees.

However, on March 24, 2008, Mr. Nicholas issued a press release
stating that the company had made a pure "business decision" to
shutdown operations and lay off all its employees.

The shutdown announcement came just three months after Mr. Nicholas approved a memo going out to company employees assuring them that the company was “committed to press on with this process and with the implementation of the Master Plan” and that there would be no layoffs as long as there were no “further delays in the Master Plan Implementation”.

THERE WERE NO FURTHER DELAYS IN THE IMPLEMENTATION OF THE MASTER PLAN BETWEEN THE TIME MR. NICHOLAS APPROVED THE DECEMBER 3, 2007 MEMO GOING OUT TO COMPANY EMPLOYEES AND MR. NICHOLAS’S MARCH 24, 2008 PRESS RELEASE ANNOUNCING THAT THE RANCH WOULD BE SHUTTING DOWN AND LAYING OFF 120 EMPLOYEES.



Yet, Mr. Nicholas decided to shutdown anyway because his company had a new Master Plan for Molokai, one that was in the best interest of the GuocoLeisure shareholders, and a plan that required the company to unload its payroll expenses and also to and unload the operating costs of its utility operation onto County taxpayers or some other government or private entity.

The statements below are in chronological order and reflect how Mr. Nicholas and his management teams at Molokai Properties Limited and GuocoLeisure Limited misled the Molokai community and his company employees on Molokai



July, 2007: “My responsibility to employees, our Molokai Ranch family □ MPL employees. They worry about their futures every day, and while they face turmoil with opposition to the Master Plan, they believe in The Plan and can visualize their futures with confidence.”



July, 2007: “The company, its directors and shareholders are committed to the implementation of the Master Plan....the re-opening of the Kaluakoi Hotel,... and most importantly, an economic future for the company’s current staff and its ahupua’a community of Kaluakoi and Maunaloa.”



July, 2007: “In the event the Master Plan is prevented from being implemented...MPL shareholders will no longer be interested in any other course of action but selling off the property in pieces; an avenue that creates the greatest return for its shareholders.”

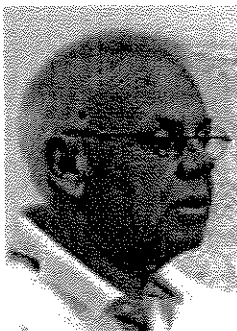
Nicholas went on to point out that if any community group tried to purchase all or part of Molokai Ranch’s property, that group:

“would have to bid against other interested parties such as:

- The Military who have been interested in buying portions of La’au Point for training exercises involving amphibious and airborne landings.
- Russian millionaires who see the island’s remoteness as a destination for parties and events that they can’t hold in their own countries.
- Wind farm operators who want to build 100 wind turbines on the West End and supply power to Oahu, with little benefit to Molokai itself.
- An Asian syndicate interested in purchasing the Ironwoods golf course for their private and exclusive use.

Mr. Nicholas concluded the following threat:

“And don’t think it wouldn’t happen or that anyone could stop it”



September, 2007: “A key focus (for our company) was the preparation of a Final Environmental Impact Statement for the 200 subdivided lots at La’au Point on the island’s southwestern shoreline prior to a hearing by the State Land Use Commission (November 15 and 16, 2007)”



October 2007 about the company filing its Final Environmental Impact Statement with the State Land Use Commission:

"We are excited about taking this important step forward toward approval of the La'au Point project."

"We knew that the process would be long and not without challenges. However, we have said from the beginning we wanted this EIS to be the best. I am confident the document will meet all the criteria for approval (by the State Land Use Commission at its scheduled November 15 and 16 hearing on Molokai)."



December 2007: “At our recent Land Use Commission hearing on the La’au Point project (held November 15 and 16, 2007 on Molokai)....we withdrew our proposed Final Environmental Impact Statement”

“...we thought it best to withdraw it and submit at a later date”

“Implementation of the Master Plan is the only sure way that MPL can survive in its current form”



December, 2007 (Memo to employees): “By calendar year end (December 2007), we will need to reduce labor costs by at least 10% to fund the current delays in the Master Plan implementation (caused by Molokai Properties withdrawing its Final Environmental Impact Statement from acceptance consideration by the Land Use Commission).”

“If there are any further delays in the Master Plan Implementation, we will be forced to implement more drastic cost reduction measures which may include complete closure of the Kaupoa Camp, the golf course and the implementation of a plan to begin the sale of land”



January 2008 Draft Environmental Impact Statement release by Mr. Nicholas:

“This draft environmental impact statement and all ancillary documents were prepared under my direction or supervision and the information submitted, to the best of my knowledge , fully addresses document content requirement (required under state law)”

“My personal mission is to balance my company’s interest with the interests of the Molokai community.”

“I have complete authority to act for my company (MPL-Molokai Ranch) an the parent company (GuocoLeisure Limited).”



March 24, 2008 Press release from Mr. Nicholas:

Molokai Properties Limited is to shutdown its operations on Molokai at the end of March, and will lay-off more than 120 staff

on the island over the following 60 days.

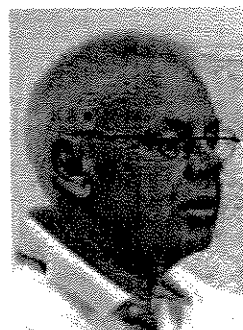
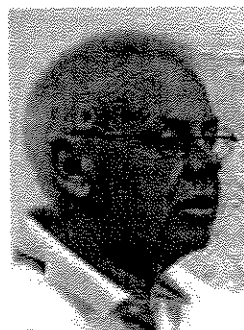
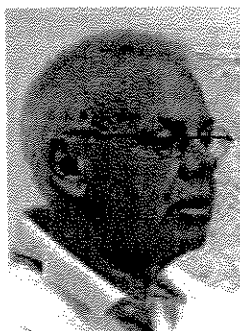
“The decision (to shutdown) is purely a business one”

“We deeply regret to have taken this step as the main impact will be on our loyal employees”



In a memo Mr. Nicholas authorized be sent to MPL employees just a few months earlier (December 2007), employees were given assurances there would be no further layoffs, others than those the company planned for at the end of 2007, as long as there were no further delays incurred by MPL in the implementation of its Master Plan and La'au Point project.

THERE WERE NO “FURTHER DELAYS”, YET MR. NICHOLAS DECIDED TO PULL THE PLUG ON COMPANY EMPLOYEES AND THE MOLOKAI COMMUNITY.



IF MR. NICHOLAS HAS THE COURTESY TO SHOW UP AT THE JULY 15 PUC MEETING, HOPEFULLY THE PUC COMMISSIONERS WILL REQUEST MR. NICHOLAS TO EXPLAIN WHAT “FURTHER DELAY” , IF ANY, MPL INCURRED THAT CAUSED MPL TO MAKE THE BUSINESS DECISION TO SHUTDOWN ITS OPERATIONS.



March 25, 2008 the day after Mr. Nicholas issued a press release to the media in Hawaii: Linda Hoon, who works for Mr. Nicholas as Molokai Properties Limited’s Secretary, was ordered to issue the following press release to GuocoLeisure shareholders (Mr. Nicholas a Vice President of GuocoLeisure as well as President of Molokai Properties) giving the shareholders assurances not to worry about the shutdown of MPL’s operations on Molokai....not a big thing and their investment would not be effected financially.

PRESS RELEASE

Announcement on Cessation of Operations of Molokai Properties Limited

GuocoLeisure Limited (“the Company” or “GL”) hereby issues the attached statement in relation to its wholly owned subsidiary, Molokai Properties Limited (“MPL”) today.

The Company wishes to advise that MPL is to cease its tourism

and other operations on Molokai Island, Hawaii at the end of March.

As a result of the decision, MPL will be shutting down and land-banking the company's assets on its 60,000 plus acre property.

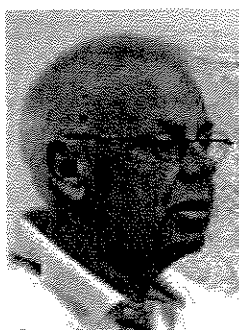
Presently, **the aforementioned cessation of operations of MPL is not expected to have any significant financial impact** on GL Group for the financial year ending 30th June 2008.

Information About Molokai Properties Limited

Molokai Properties Limited, a wholly owned subsidiary of GL, owns approximately 60,000 acres or 40% of the Hawaiian island of Molokai which is located between the islands of Oahu and Maui.

LINDA HOON

Conclusion: Mr. Nicholas explained his initial intent for the Ranch's Master Plan in a letter to the Molokai community as follows: "My personal mission is to balance my company's interest with the interests of the Molokai community."



It appears as though Mr. Nicholas has decided to implement a new

Master Plan for Molokai Ranch, one that sacrifices the company's employees and is geared to punish the Molokai community by blocking any attempt by the community to move forward on a proactive basis following Mr. Nicholas's decision to shutdown all operations.

END

From Molokai Dispatch website -8/12/08

Council Approves Hiring of Bronster

Monday 8-11-08

Filed Under: Political

Move will challenge Ranch's utility bailout.

Last week Friday, members of the Maui County Council unanimously adopted a resolution introduced by Molokai Council representative Danny Mateo to hire Margery Bronster, one of the state's highest rated attorneys.

QuickTime™ and a
decompressor
are needed to see this picture.

Bronster is to represent the county in all legal matters related to Molokai Ranch's announced bailout of its responsibilities to deliver essential water and wastewater services to residents and business in central and west Molokai.

The Council's Maui meeting was televised live and broadcast back Molokai by Akaku Community Television.

The Council's proactive action was initiated in response to the

unilateral decision by Molokai Properties Limited (MPL), which has been doing business as Molokai Ranch, to shutdown its utility companies on August 31. The purpose of the resolution was to also challenge the initial positions taken by Governor Linda Lingle and several state agencies that expected the county to step up and take over the utility operation if MPL followed through with its threat to walk away.

Mateo, who has been battling a severe case of the flu, was unable to attend the meeting. He is chair of the Council's Policy Committee that approved the resolution going to the full council for consideration.

A report from Mateo's Policy Committee noted that as the county's special counsel, Bronster and her firm would handle legal matters pertaining to Molokai Properties Limited, which is doing business as Molokai Ranch; and the Ranch's three utility companies Molokai Public Utilities, Inc., Wai'ola O Moloka'i, Inc., and Mosco, Inc.

MPL is named along with the three utilities as parties to the PUC proceedings. MPL has objected to being named a party, but documents show that MPL and the utilities are basically the same.

The Committee report noted that Bronster would also be available to represent the county in possible legal claims against the State of Hawaii, and other parties, arising from the Ranch's threat to terminate private water and wastewater operations in August 2008.

Former Molokai Planning Commission Chair DeGray Vanderbilt testified in support of Bronster being hired, noting that in the late 90's, as the State's first full-term female attorney general, she successfully uncovered deceptive and corrupt business practices by the Trustees of the powerful Bishop Estate, which led to all the trustees resigning and one going to jail.

Where the Ranch Stands Now □ MPL currently owns approximately 60,000 acres of land on Molokai that was appraised a couple of years ago for \$200 million dollars.

Most observers feel it will take anyone at least a 18 months to 2 years to complete the due diligence and negotiations required to understand and document what was needed to assume the complex operations of MPL's utilities, which are currently in disrepair and administrative disarray.

For example, Molokai Public Utilities, which delivers water to the Kaluakoi resort, has no permitted water source and no agreement for transmission of water to the West End. In addition, half of its dual water delivery system is inoperable.

Nicholas also has made it clear that anyone considering taking over the utility companies would have to lease or purchase the assets needed to operate the utilities. He wrote to the PUC and reported these assets currently have a net book value of over \$12 million dollars.

The PUC's unprecedented proposed rate increase on behalf of MPL's utilities amounts to \$461,497 per year. Nicholas sent a response letter to the PUC rejecting the offer as being inadequate. He threatened to terminate operations unless the PUC provided increased rates to give MPL's utilities \$894,926 a year more in operating income. □ □ **Public Criticism** □ Vanderbilt expressed disappointment to the Council over the fact that the Governor and the PUC appear ready to place the financial burden of subsidizing efforts to work out a solution to MPL's utility mess on the backs of Molokai residents, who are already strapped financially. He said it appeared that the PUC was going to approve the higher rates being demanded by Nicholas.

At the July 15 PUC public hearing, Chairman Carlito Caliboso

announced that by using a simple formula it was easy to determine what the rate increase would mean. Carliboso said that if customer in Kualapuu or Maunaloa is paying \$50 a month water bill, the bill would increase to \$110 under the PUC proposed rate hike.

Applying the Carliboso's formula to the higher rates being demanded by Nicholas, Kualapuu or Maunaloa families would see their bills increase from \$50 to \$139.

At the same July 15 public hearing, PUC Commissioner Les Kondo concluded to those attending that MPL's significantly higher water use rates were "very similar" to the rate increases proposed by the PUC.

The PUC is scheduled to make a decision on the temporary rate increase on August 14.

Vanderbilt said Nicholas should step up to the plate and agree to sell two or three of their 20-acre Papohaku Ranchland residential lots at the Kaluakoi resort to cover the utility operating costs during the interim period when the County, State and MPL attempt to resolve the frenzy created by MPL's unilateral decision to walk away from its utility service responsibilities.

The PUC has issued an order advising MPL that its utilities shall continue "to provide utility services until the commission approves a transfer to a public or private third party" and that non-compliance of the order could result in civil penalties being assessed at \$25,000 per day (\$9 million dollars a year).

In an article published in the Dispatch, Nicholas claimed last year that since 2006 MPL had been selling off "minimal amounts" of non-strategic lands in order have their operations remain "cash flow positive"

Vanderbilt provided portions of GuocoLeisure's 2007 annual

report which reported to shareholders that “Molokai Properties continued to □ remain cash positive through the sale of non-strategic subdivided land.”

The 2007 annual report also noted that GuocoLeisure’s primary goal is “active investment management aimed at extracting and maximizing shareholder value”.

Vanderbilt opened his testimony by holding up a large, poster-sized color picture (published in a past issue of the Dispatch) showing Ranch employees burning company files in 50-gallon barrels. He said the picture was taken by a Ranch employee shortly after Nicholas issued a press release on March 24 announcing that a “business decision” had been made to shutdown the Ranch’s entire operation and “mothball” its land assets until better economic times returned.

Vanderbilt claimed MPL and GucoLeisure’s decision to shutdown was in clear contradiction to the responsibility the Governor said she expected from “true business leaders” during the current trying economic times.

He provided the Council with portions of a speech the Governor gave at the Hawaii Economic Association’s (HEA) annual conference, which was held just a few weeks after MPL announced a total shut down of its operations on Molokai.

“The business community has an especially important role to play,” the Governor told those attending the HEA conference. “I am a firm believer that during an economic slowdown, businesses (like Molokai Ranch) should not hunker down, be stagnant and adopt a defensive mentality. This only exacerbates the situation”

According to Vanderbilt, MPL is clearly “hunkering down” during these slow economic times, has sacrificed its employees for the benefit of company shareholders, and is now trying to unload its

utility expenses so it has minimal carrying costs (operating expenses) while it land banks its land assets until better economic time roll around,

Despite these facts, the Governor is still backing MPL's corporate interest at the expense of Molokai's working families, he said.

Background on the Ranch □ Nicholas, in addition to heading up MPL, is also a Vice President of GuocoLeisure Limited, the billion dollar foreign investment company that owns 100 percent of Molokai Ranch. For his dual management roles, Nicholas reportedly earns in excess of \$500,000.

In 2007, the three utilities combined lost approximately \$350,000 from operations.

Quek Leng Chan is Executive Director of GuocoLeisure and ranked the 314th richest man in the world with a personal net worth of \$2.9 billion dollars.